

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 L-03 AID-20 IO-14 CEA-02 CIAE-00

COME-00 EB-11 EA-11 FRB-02 INR-10 NEA-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

SWF-02 OMB-01 DRC-01 /138 W  
----- 098452

R 141642Z MAR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1075

INFO USMISSION OECD PARIS

UNCLAS BONN 4092

E.O. 11652:N/A

TAGS: EAID, GW

SUBJECT: NEW FRG DEVELOPMENT AID TAX PAW

REF: BONN A-1135, MARCH 22, 1968

1. ON MARCH 13, 1974, THE FEDERAL CABINET ADOPTED A DRAFT DEVELOPMENT AID TAX PAW TO REPLACE THE ONE WHICH EXPIRED AT THE END OF 1973. UNDER THE DRAFT LAW, WHICH RESULTED FROM A COMPRISE REACHED BETWEEN THE MINISTRIES OF ECONOMICS, FINANCE, AID AND FOREIGN AFFAIRS, INVESTORS CAN ESTABLISH TAX-FREE RESERVES EQUAL TO 80 PERCENT OF THE PROCUREMENT AND PRODUCTION COST OF INVESTMENTS MADE IN ONE OF THE 25 LEAST DEVELOPED COUNTRIES PLUS BANGLA DESH (ACCORDING TO UN CRITERIA) AND RESERVES OF 40PERCENT FOR INVESTMENTS IN OTHER LDC'S. THESE RESERVES HAVE TO BE RELEASED, AND TREATED AS PROFIT, AFTER SIX YEARS AT ANNUAL RATES OF AT LEAST 1/6TH OF THEIR VALUE. IF THE INVESTMENT IS LABOR-INTENSIVE, THE PERIOD OF RELEASE CAN BE EXTENDED TO 12 YEARS. THE DRAFT LAW OMITTS THE EARLIER PROVISION OF A 15 PERCENT SPECIAL DEPRECIATION ALLOWANCE. CONTRARY TO EARLIER PLANNING, THE NUMBER OF ELIGIBLE COUNTRIES HAS NOT BEEN REDUCES; ON THE CONTRARY, KUWAIT, YUGOSLAVIA AND RUMANIA HAVE BEEN ADDED.

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2. GOVERNMENT SPOKESMAN VON WECHMAR, IN ANNOUNCING THE GOVERNMENT

DECISION TO THE PRESS, SAID THAT THE NEW LAW WILL RESULT IN THE LOSS OF ABOUT DM 220 MILLION IN TAX RECEIPTS ANNUALLY, COMPARED TO APPROXIMATELY DM 300 MILLION UNDER THE EXPIRED LAW.

3. A COPY OF THE DARFT LAW WILL BE POUCHED TO THE DEPARTMENT WHEN AVAILABLE.HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TAX LAW, FOREIGN INVESTMENT, LESS DEVELOPED COUNTRIES, TAX RELIEF  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BONN04092  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Line Count:** 67  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
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**Reference:** BONN A-1135, MARCH 22, 1968  
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**Review Comment:** n/a  
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**Review Date:** 31 JUL 2002  
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30 JUN 2005

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**Review Referrals:** n/a  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NEW FRG DEVELOPMENT AID TAX PAW  
**TAGS:** EAID, GE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005